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SUMMARY OF THE WORLD SITUATION AT THE END OF 1955
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I. The Elements of Soviet Strength

In the military field Russia and its allies have demonstrated their intention and ability to create a mighty military machine stressing the most advanced weapons systems. The recent Soviet nuclear tests eliminate the last doubt as to their ability to design and stockpile high yield weapons which maximize the explosive yield of their substantial supplies of fissionable materials.

For the critical components of their air force the Soviets have developed an assortment of bombers and fighters that are the equivalent and possibly the superiors of their counter parts in Western air forces and are producing these at rates sufficient to permit them completely to re-equip their long-range air force and their home defense forces during the next two or three years. In the field of guided missiles evidence indicates the probability that they are well ahead of the West in the development and production of weapons with ranges of about 700 miles and the possibility that they are a year or two ahead in the development of intermediate (1500 mile) and intercontinental (5500 mile) missiles. Surface-to-air defensive missiles have been installed around Moscow and other cities. The Soviets' submarine building program continues at forced draft enabling them to add each year to their fleet more than 70 long-range submarines. Nor are they neglecting conventional elements of ground strength such as tanks and motor transport.

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There is good evidence that the Soviets have carried out their announced intentions to reduce the over-all strength of their armed forces by 640,000 men and have done so by shortening the terms of enlistment and retiring older officers and non-coms without inactivating any significant number of units.

Taken as a whole, their military program appears to be a balanced well-thought-out one which will give them in not over three years an offensive capability to inflict massive and possibly permanently crippling damage on the United States. The USSR also appears to be broadening its strategic concepts to give greater emphasis to the twin factors of surprise and long-range nuclear attack and to be adapting its forces and its training doctrines accordingly.

The economic strength of the USSR is evidenced by their fulfillment of the Fifth Five Year Plan's extremely ambitious goals in a 1/3 years. The USSR gives every sign of continuing its intensive economic expansion notably in heavy industry. If present trends continue, its over-all economy will grow from slightly more than one-third of that of the US today to approximately half in the next decade, but it is important to emphasize that the USSR devotes a much higher proportion of its resources to investment in military use than does the US or any free world country. In terms of capital equipment and construction "left over" in the end of the year, the Soviet Union now measures four-fifths as large as the US and over the next decade could well surpass us.

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All recognized difficulties in the field of agriculture and labor efficiency confront the USSR, but these problems are neither currently critical nor sufficiently difficult of solution as to be likely to impair Russia's over-all strength or affect its conduct of foreign policy. It is notable that the harvests this year in the Soviet Union and, with a few exceptions, generally throughout the Bloc were good to excellent.

Another source of underlying strength which the Soviets have been assiduously developing is that of trained scientific and technical manpower. For the past few years their schools and colleges have been turning out graduate scientists and engineers at rates up to double that of the US. The quality of the product is manifested not only by actual achievements they have made such as the huge 37,000 ton particle accelerator, dwarfing the largest in the free world, to be completed next year in Moscow, but also by quality of their theoretical work in the outer fringes of science. All of the competent observers at the recent Geneva conference on atomic energy were impressed by the excellence of the Soviet scientists they encountered.

Though there have been rumblings occasionally coming to the surface in the press that indicate continual jockeying for power position among the leaders of the Soviet regime, they have demonstrated since the demotion of Khrushchev in February a quite remarkable cohesiveness and, more important, an ability to reach and execute far-reaching decisions on major policy with great rapidity and flexibility. Whether we like it or not their "system" is working.

II. Manifestations of Soviet Policy

The past six months have afforded us unprecedented opportunities to appreciate Communist foreign policy objectives. Separate items of this evidence have been apparently contradictory and have led to some unfortunate confusion as to the essential elements of Soviet policy, but the results of the recent Geneva meeting have been amply stark to eliminate any doubts that the objectives of the post-Stalin regime remain the same as those of its predecessor—to increase the power and improve the security of the Communist Bloc, to prevent the marshalling of the free world power against the Bloc, and to expand the Communist sphere where feasible.

It is not yet possible, and doubtless will not be possible for several years, to determine positively whether the more benign Soviet actions (signing the treaty with Austria, curtailing vituperation, etc.) indicate a permanent abandonment of the application of overt military force in favor of "competitive co-existence" in other forms or whether they are merely lures to encourage the free world to lower its military guard so that the Soviet Union, at a propitious moment, when it has fully developed its modern military striking power, can launch an all out attempt to dominate the world by force. But even if, as the intelligence community generally believes, the Kremlin no longer regards general war as a feasible instrument for achieving its objectives, the threat proposed by the Bloc still remains grave. Two things emerge very clearly: first, the Soviet Union feels itself now and for the foreseeable future sufficiently strong so that it cannot be compelled to make any substantial concessions or withdrawals from its present positions; and second, relying on the increasing

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abhorrence of war throughout the free world, it will push its interests by all means short of war to the limits of its ability. The Kremlin gives every indication of sublime confidence that for a power struggle in which the marshalling of scientific and technical and economic resources are all-important, its system of centralized direction is the best and is bound to prevail. That, and not any hypothesized weakness real or imaginative, is why the Soviet leaders are arrogantly content to stand pat in Germany and the Satellites.

It is clearly the intention of the Soviets to give heavy attention to the Middle East and South Asia. The sale of arms and the extensive offers of technical and economic aid, which together aggregate many hundreds of millions of dollars, are new departures for Soviet policy and demonstrate the flexibility of its current leadership. It is in a better position than the West to absorb the raw material exports of many of these countries and has virtually endless stocks of slightly obsolescent arms to use as bait. Though the erection of steel mills and other industrial enterprises in the underdeveloped areas in return for future payments at low interest will compete with the requirements of China's and Russia's industrial expansion programs, there is an ample margin of resources and technical skills available to the Bloc powers to enable them to perform their undertakings already made and those they are almost certain to make in the years ahead. In the last analysis the Russian, Chinese and Satellite consumers will be forced to pay the costs of this program just as they have had to pay for the creation of the Communist military machine. On the other hand

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the combined resources of the US and the donor Colombo powers that are available for investment in the uncommitted world are many times those available to the Bloc. There is no question but that given equal will-power it would be the Bloc and not the free world that would be "bled white" in any struggle for dominance as suppliers of capital to the underdeveloped world.

III. The Drift in the Free World

Though the actual line demarcating the frontiers of Soviet Communist overt control has not advanced since the fall of North Viet Nam in the summer of 1954, and has, in fact, been pulled back slightly as a result of the end of the occupation of Austria, there has been a substantial shift of orientation during the past year in many significant areas of the world. Some of these are obvious and accomplished facts; others are subtle and as yet incipient.

Even in the European NATO area there are many developments which effectively detract from its collective strength. A general awareness that all-out war would be a final disaster for western civilization coupled with increasing belief that the Soviets no longer constitute an open military threat renders the maintenance of will to pay for deterrent armed forces increasingly difficult even such staunch people as the English and the Germans. A lack of common absorption with one great task—strengthening the collective defenses of Europe—has permitted ancient petty conflicts such as that over Cyprus, between Greece and Turkey, and France and Germany over the Saar to re-erupt and sap the energies of the countries involved.

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France, at the very heart of the NATO area, has virtually ceased to be an effective world power despite the sterling performance of a few individuals such as M. Pinay. With the great bulk of her military forces committed to a probably hopeless task of maintaining her ancient position in North Africa, her political prospects more dismal than ever and virtual abandonment of her former responsibilities in the Far East France will become an increasingly dubious ally.

In the case of Yugoslavia, a potential ally has become at best a strict neutral greatly reducing its collaboration with the Western coalition insofar as the same is directed against the Soviet Bloc and encouraging "neutrality" within the Western camp and elsewhere in the world. Afghanistan, which barely a year ago was a fiercely independent buffer state, is now economically a part of the Bloc and quite possibly will become politically and militarily so in the not-too-distant future. Egypt, while always officially neutral in the East-West struggle, was a year ago thoroughly responsive to Western guidance but has now adopted a chauvinist course in return for Soviet arms and offers of support that may well make it much more responsive to Soviet leadership than to ours. In its wake it bids fair to bring Syria, Saudi Arabia and other lesser Arab states.

Many of our staunchest erstwhile allies on and near the Asian continent have been sore beset by internal disturbances and incompetent leadership or have begun to reappraise their basic alignments in the world struggle. Turkey and Pakistan while still nominally firmly committed to Western Alliances are faced with appalling economic problems and display increasingly

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uncertain internal domestic stability which may well lead in years ahead to increasing neutralism. Taiwan confronted with the Peking regime's growing prestige and success at home and abroad and its own declining international position is behaving in an increasingly frustrated and irresponsible manner. To an only slightly lesser extent the same thing can be said for the Republic of Korea.

Though the situation in South Viet Nam has improved considerably, that in Malaya and Singapore has substantially deteriorated. Burma has been forced to link her economy more and more closely to the Bloc because of inability to find adequate markets for her rice surplus and therefore leans more closely than ever to strict neutrality. Thailand, for years the most pro western country in the area, is now sensing increased isolation in her position and is showing signs of shifting to a more equivocal attitude. Finally the results of the Indonesian elections, in which narrow nationalists and Communists did better than expected and the favored pro-Western party fared comparatively badly, complete the generally cloudy picture in Southeast Asia.

Taken as a whole the situation in the Middle East, South Asia and Africa will continue to be the major source of weakness in the free world. Those countries under the immediate shadow of Communist power remain vulnerable to direct Communist pressures, and the whole area is dangerously susceptible to Bloc exploitation particularly to the Bloc's new campaign of declared peaceful intent, broad relations and offers of arms, trade and aid. All of these countries require and are actively seeking outside aid in their development. Western failure to meet these demands may make them increasingly receptive to offers from the Bloc.

Moreover, the speed of industrialization and of improvement of living standards achieved respectively in India and Communist China will be regarded as proof of Asia as the basic test of whether totalitarian or non-totalitarian methods are best suited for pursuing their own national aspirations.

IV. Conclusion

The foregoing run-down of Soviet strength and plans and free world developments should not be taken in the aggregate as a bleak and hopeless picture; rather they constitute the elements of the challenge confronting the US and its leading free world partners. A preponderance of the high cards remains in our hands not only in terms of physical resources and developed military and economic might but more important in the realm of ideas.

No people as yet have adopted voluntarily for the Communist way of life. We have developed and can maintain the military power to keep presently free peoples from being forcibly subjugated by the Communist powers. The real danger lies in the unsatisfied aspirations of millions of the world's people for peace, national self-respect and economic betterment. Their pursuit of these goals is so determined that they can be diverted from the essential goal of liberty when the latter appears incompatible with the former. The willingness of the vast majority of the world's people to respond to US leadership will, therefore, depend in large measure on the ability of the US to convince them that it is dedicated to all their goals.

The primary tests by which we will be judged will include the following:

whether our military power is being used exclusively to protect and defend and not to provoke or threaten and whether or not those it shields are regimes accepted by the bulk of mankind as legitimate and indigenous;

whether or not we are genuinely willing to reduce our
military power once appropriate inspection safeguards are assured;

whether or not we are willing to employ our economic resources
and direct our economic policies so as to help all of the free world
to make steady progress toward material well-being.

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